GLOBAL COMMUNICATIONS LIMITED

1976 ANNUAL REPORT

Directors and Officers

GLOBAL COMMUNICATIONS LIMITED 81 BARBER GREENE ROAD, DON MILLS, ONTARIO. M3C 2A3

Directors

*I. H. Asper, Q.C., *Chairman of Executive Committee, Partner, Buchwald, Asper, Henteleff & Partners (Barristers and Solicitors)*

Leonard E. Barlow, *Senior Vice-President and Director, McLeod, Young, Weir and Company Limited (Investment Dealers)*

*Seymour Epstein, P. Eng. Cons., *President, Imagineering Limited (Broadcast Consultants)*

*J. Trevor Eyton, Q.C., *Partner, Tory, Tory, DesLauriers and Binnington (Barristers and Solicitors)*

Donald H. Gordon, *Vice-President and Secretary, Allpak Products Limited (Diversified Investment and Holding Company)*

Joseph J. MacBrien, *Vice-President, Johnston MacBrien Limited (Investment Counsel)*

*Paul Morton, *Vice-President, President and Director, Odeon-Morton Theatres Ltd. (Motion Picture Theatres) and President, CanWest Broadcasting Ltd. (CKND-TV)*

*Gurston I. Rosenfeld, *President, Guardian Growth Financial Services Limited — Director, Guardian Capital Group Limited*

*Allan Slaight, *President and Chief Executive Officer of the Corporation and IWC Communications Limited*

Lloyd F. Stevens, F.C.A., *President, Allpak Products Limited (Diversified Investment and Holding Company)*

Arni C. Thorsteinson, *Executive Vice-President, Shelter Corporation of Canada Limited (Real Estate Development)*

Officers

Allan Slaight, *President and Chief Executive Officer*
Paul Morton, *Vice-President*
John W. Hardie, *Vice-President, Finance and Administration*
William R. Cunningham, *Vice-President, News and Public Affairs*
Peter D. Viner, *Vice-President, Marketing*
John G. Craig, C.A., *Secretary and Treasurer*
John S. Elder, *Assistant Secretary*
K. Cameron Johnson, C.A., *Controller*

Auditors
Clarkson, Gordon & Co., Toronto, Ontario

Solicitors
Fraser & Beatty, Toronto, Ontario

Transfer Agents
Guaranty Trust Company of Canada, Toronto, Ontario

Global Communications Limited owns and operates the Global Television Network. Global Communications Limited is a constrained share corporation at least 80% of the shares of which must be beneficially owned by persons who are Canadian citizens or who are corporations controlled in Canada.

*Members of the Executive Committee.

President's Report

GLOBAL COMMUNICATIONS LIMITED

On behalf of your Board of Directors, I am proud to report the continuing improvement in the performance of Global Communications Limited. Operating results were substantially better than the previous year. Our loss for the year, after a write-down of excess film and program rights in the amount of $1,235,141, was $838,863 and this compares to a loss in the previous year of $4,797,860. Total revenue increased by 80.6% to $15,444,419 but operating expenses increased only by 11.1% to $13,475,945. Results for the first quarter of 1977 continue to show progress and the Company is now operating on a profitable basis.

Financial Restructuring

As a result of the strengthening financial position during the past year, Global was able to renegotiate its banking arrangements on more favourable terms. The Company now may borrow up to $10,000,000 under a Term Loan and up to $3,000,000 under an Operating Loan. Subsequent to August 31, 1976, Global repaid its term loan and substantially all of its operating loan by means of the issue of Series A Income Debentures in the amount of $7,000,000 to the Company's banker. These debentures are "income debentures" under the Income Tax Act (Canada) and bear interest at lower rates.

In addition and as a result of this bank refinancing, the Company was able to purchase $1,789,650 of its 10% subordinated debentures and realize a net capital gain of approximately $374,000.

The effect of the foregoing transactions is a significant improvement of the Company's working capital position and a substantial reduction in the annual interest expense on the Company's long term debt.

Audience Acceptance

Global's competitive position continues to strengthen in the metropolitan markets most important to advertisers. According to the most recent BBM measurements (November 1976), Global is Number One in All-Persons share in Toronto and Hamilton, and Number Two in Ottawa, London and Kitchener between 4:30 and 7:00 p.m., Monday to Friday.

More significantly, the Global Network's adult audience has increased 19% in prime time (7:00–11:00 p.m.) Monday to Sunday over the spring of 1976.

The impressive growth and acceptance of Global News is again confirmed by recent ratings. The November 1976 BBM survey reflected a 25% growth in viewers of our 10:00 p.m. Global News Hour from the spring 1976 survey.

Development of Canadian Programming

After a necessary period of financial re-structuring and operational cutbacks, Global has now embarked on more ambitious Canadian entertainment programs. In the fall of 1976, your Company launched eight new Canadian prime-time programs produced by Global's staff and in conjunction with certain independent producers. The guiding objectives behind this programming have been to produce original, alternative Canadian programming, encourage independent producers, and seek and develop new fresh Canadian performers and writers. Our programs range from the family-science series entitled "Science International", to "Caught In The Act", a showcase series which features over 150 Canadian musicians, singers, composers and comedians, to "Second City" featuring the successful all-Canadian review troupe.

Global's News and Public Affairs Department is of prime importance to our programming and is staffed by 65 producers, reporters, writers, film cameramen and film editors, supplemented with a system of 33 local correspondents throughout Ontario. Highlights of the last year include an interview with René Lévesque on "In Private Life" prior to the Québec election, a special interview with Prime Minister Trudeau entitled "A Critical Moment", and a 90-minute documentary on Hitler's architect, Albert Speer, entitled "The Last Nazi". "The Last Nazi" has recently been nominated as one of the best television programs of the year by the Association of Canadian Television and Radio Artists (ACTRA).

Your Company is pursuing the extension of a third news network in the area of daily news and is continuing to press for more reasonable transmission rates from Canadian telecommunication carriers.

Global has undertaken to make its Canadian programs available to broadcasters in other parts of Canada. Independent CKND-TV in Winnipeg currently broadcasts a substantial number of programs produced at Global, and Global also supplies Canadian entertainment programs to other independent stations in Western Canada. In addition, CKND utilizes Global-produced news material on a daily basis. Efforts are underway to expand the interchange of news and public affairs programming with other independent stations in Western Canada.

Canadian Radio-television and Telecommunications Commission

On December 8, 1976, Global appeared before the CRTC at a public hearing in conjunction with the renewal of its broadcast licence. Management anticipates that the CRTC will publish a licence renewal decision which recognizes the positive progress by the Company to date.

Outlook

The outlook for the television industry in Canada continues strong as major market air-time is still very much in demand.

Since Global is still in its relatively early stages of development, management anticipates that air-time sales will grow at a faster rate than the industry average in 1977. The full effects of Bill C-58, which deters Canadian advertisers from purchasing commercial time on U.S. border television stations, are not expected to be felt until fall 1977.

Your management anticipates that the current year will continue to show further improvement in the financial results of your Company. Sales results and bookings for the current year are very encouraging and management is confident that a reasonable profit will be reported for the fiscal year ending August 31, 1977.

President

January 24, 1977

Consolidated Balance Sheet

GLOBAL COMMUNICATIONS LIMITED (Incorporated under the Canada Corporations Act)

	August 31	
ASSETS	**1976**	**1975**
Current:		
Accounts receivable	$ 1,872,807	$ 1,406,106
Film and program rights	5,202,450	3,569,178
Sundry receivables, prepaid expenses and other	125,579	62,849
	7,200,836	5,038,133
Non-current portion of film and program rights	2,514,784	4,544,232
Fixed, at cost:		
Land	143,446	143,446
Land improvements	73,287	73,287
Buildings	595,959	595,959
Transmitter, studio, mobile and technical equipment	8,112,039	7,897,112
Vehicles	17,863	20,862
Furniture and fixtures	352,757	337,609
Leasehold improvements	1,109,182	1,078,048
	10,404,533	10,146,323
Less accumulated depreciation and amortization	2,392,773	1,432,279
	8,011,760	8,714,044
Deposits and other non-current assets	152,561	
	$17,879,941	$18,296,409

On behalf of the Board:

Allan Slaight, Director

Paul Morton, Director

The accompanying notes are an integral part of these financial statements.

LIABILITIES	August 31 1976	1975
Current:		
Bank indebtedness (note 3)	$ 2,700,163	$ 652,520
Accounts payable and accrued liabilities (including instalments due within one year on film and programming contract liabilities: 1976—$6,199,330; 1975—$4,663,248)	8,586,351	6,754,438
	11,286,514	7,406,958
Long-term (notes 3, 4 and 5):		
Term bank loan	2,800,000	5,450,000
Non-current instalments on film and programming contracts	3,128,650	4,936,021
1974 interest debentures due January 15, 1983	7,900,000	6,900,000
1974 income debentures due January 15, 1998	100,000	100,000
10% subordinated debentures due January 15, 1983	10,125,000	10,125,000
Non-interest bearing subordinated notes	608,587	608,587
	24,662,237	28,119,608
Total liabilities	35,948,751	35,526,566
Deficiency in shareholders' equity:		
Capital (note 6)—		
Authorized:		
240,000 voting preferred shares of the par value of 5¢ each		
2,000,000 common shares without par value		
Issued:		
225,000 preferred shares	11,250	11,250
665,030 common shares (1975—665,000 shares)	3,241,216	3,241,006
	3,252,466	3,252,256
Deficit	(21,321,276)	(20,482,413)
	(18,068,810)	(17,230,157)
	$ 17,879,941	$ 18,296,409

Consolidated Statement of Operations and Deficit

GLOBAL COMMUNICATIONS LIMITED

	Year ended August 31	
	1976	1975
Revenue:		
Air time	$14,257,494	$ 7,878,982
Production and other	1,186,925	674,666
	15,444,419	8,553,648
Operating expenses:		
Programming, broadcasting and maintenance	8,605,848	8,120,262
Administration, marketing and occupancy	3,909,603	3,103,056
Depreciation and amortization	960,494	911,288
	13,475,945	12,134,606
Interest:		
Operating bank loan	90,729	24,995
Term bank loan	594,733	617,056
1974 interest debentures	855,379	612,320
Other	35,188	88,393
	1,576,029	1,342,764
Less interest income	3,833	125,862
	1,572,196	1,216,902
Total expenses	15,048,141	13,351,508
Income (loss) before the following	396,278	(4,797,860)
Write-down of excess film and program rights (note 1 (b))	1,235,141	
Loss for the year	(838,863)	(4,797,860)
Deficit, beginning of year	(20,482,413)	(15,684,553)
Deficit, end of year	$(21,321,276)	$(20,482,413)
Loss per share	$(1.26)	$(7.21)

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Financial Position

GLOBAL COMMUNICATIONS LIMITED

	Year ended August 31 1976	1975
Source of funds:		
Operations—		
Loss for the year	$ (838,863)	$ (4,797,860)
Net charges not resulting in a current outlay of funds:		
Depreciation and amortization of fixed assets	960,494	911,288
Write-down of excess film and program rights	1,235,141	
Total funds provided from (applied to) operations	1,356,772	(3,886,572)
Issue of—		
1974 interest debentures	1,000,000	4,910,000
1974 income debentures		100,000
Subordinated notes to unsecured creditors		(21,467)
Common shares	210	
	2,356,982	1,101,961
Application of funds (exclusive of term bank loan repayment):		
Funds applied (net) in financing non-current film and program rights—		
Reduction (increase) in long-term film and programming liabilities	1,807,371	(1,572,606)
Increase (decrease) in non-current portion of related rights, before above write-down	(794,307)	2,604,765
	1,013,064	1,032,159
Purchase of fixed assets	258,210	550,574
Deposits and other non-current assets	152,561	
	1,423,835	1,582,733
Increase (decrease) in working capital before term bank loan repayment	933,147	(480,772)
(Reduction) increase in term bank loan (subsequently refinanced—note 3)	(2,650,000)	50,000
Net decrease in working capital	(1,716,853)	(430,772)
Working capital deficiency, beginning of year	(2,368,825)	(1,938,053)
Working capital deficiency, end of year (note 3)	$ (4,085,678)	$ (2,368,825)
Represented by:		
Current assets	$ 7,200,836	$ 5,038,133
Less current liabilities	11,286,514	7,406,958
	$ (4,085,678)	$ (2,368,825)

The accompanying notes are an integral part of these financial statements.

Auditors' Report

To the Shareholders of
Global Communications Limited:

We have examined the consolidated balance sheet of Global Communications Limited as at August 31, 1976 and the consolidated statements of operations and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

The corporation has incurred substantial losses to August 31, 1976 but is operating currently on a profitable basis. The corporation has substantial long-term debt obligations and its future will depend upon its ability to sustain such profitable operations and to generate sufficient funds to meet such obligations.

In our opinion, subject to the effects, if any, on the consolidated financial statements of the ultimate resolution of the matter described in the preceding paragraph, these consolidated financial statements present fairly the financial position of the corporation as at August 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants

Toronto, Canada,
November 5, 1976.

Notes to Consolidated Financial Statements

August 31, 1976

GLOBAL COMMUNICATIONS LIMITED

1. Summary of accounting policies

The following summary of accounting policies of Global Communications Limited ("Global") and its subsidiary corporations is set forth to facilitate the understanding of data presented in these consolidated financial statements:

(a) Principles of consolidation—

The consolidated financial statements include the accounts of the corporation and of its subsidiaries, all of which are wholly-owned.

(b) Film and program rights—

The corporation enters into various contracts to acquire film and programming rights. Liabilities under the contracts, which are generally payable in instalments over periods of up to five years, are reflected in the consolidated balance sheet when the contracts are signed, with the related costs recorded as assets. Such costs are allocated between current and non-current assets based on estimated usage in the succeeding fiscal year; are charged to operations over the anticipated period of broadcast use; and, are written off when deemed to be of no value. Costs of films included in film and program rights are written off based on a moving average of total film costs, at a rate of 30% for the first showing, and 25%, 20%, 15% and 10% for the second to fifth showings respectively.

The corporation has entered into sale and leaseback arrangements with respect to certain of its program rights. Profits on such sales are deferred and are taken into income over the life of the related lease.

During the 1976 fiscal year, certain excess film and program rights purchased in prior years, which were not expected to be utilized before their expiry dates because of changes in the corporation's programming practices, were written down by $1,235,141.

(c) Depreciation and amortization—

Depreciation and amortization are provided at rates designed to write off the cost of fixed assets on a straight-line basis over their estimated useful lives as follows:

Land improvements	5%
Buildings	5%
Transmitter, studio, mobile and technical equipment	7½%–12½%
Vehicles	20%
Furniture and fixtures	10%
Leasehold improvements	4%

(d) Income taxes—

No recognition has been given in the accounts to potential future income tax savings arising from the carry forward of losses of the current and prior fiscal years (see note 7).

2. Agreements with the Global Group

During the 1974 year, control of Global was transferred to a group (the "Group"), the two principal members of which are IWC Communications Limited ("IWC") and Global Ventures Western Ltd. ("Ventures"). In connection therewith, various reorganization and refinancing arrangements and a proposal to creditors were effected by Global. As a result:

(a) The Group has voting control of Global under a "Voting Trust and Option Agreement" which expires January 15, 1983; has options expiring on January 15, 1983 to purchase 626,000 of the 665,030 issued common shares of the corporation from existing shareholders; and has a further option to purchase 14,000 common shares from the corporation's treasury at $7 per share.

(b) Management control of Global has been granted to IWC under a contract expiring on January 15, 1983, at an annual fee ($175,000 in fiscal 1975 and 1976) which is reviewable annually.

(c) IWC and Ventures (as well as, in an individual capacity, two of Ventures' principals as to $750,000 each) each guaranteed up to $1,500,000 (total $3,000,000) of Global's term bank debt in excess of the first $3,000,000 of such debt. For such guarantees, Global paid the guarantors (other than Ventures) 1% per annum of the amount of the outstanding guarantees. These guarantees were released during August, 1976.

(d) The Group has purchased at par, $7,900,000 of interest debentures (the "1974 interest debentures") and $100,000 of income debentures (the "1974 income debentures") of the corporation. Reference is made to notes 4(a) and 4(b) for a description of the terms of such debentures.

Under the terms of its present agreements with the corporation, the Group is committed to purchase an additional $1,000,000 of 1974 interest debentures as and when required by Global, but no such requirement is presently anticipated.

3. Bank indebtedness

During the year, the corporation renegotiated the terms of its banking agreement, and may now borrow up to $10,000,000 by way of a term loan ($2,800,000 outstanding at August 31, 1976) and up to $3,000,000 by way of an operating loan ($2,250,000 outstanding at August 31, 1976). The loans under this agreement bear interest at 1½% and ½% respectively above the bank's prime lending rate from time to time.

In October, 1976, the corporation's banker agreed to retire, during the period to August 31, 1977, a part or the whole of the above term loan credit, and in lieu thereof to

purchase up to $10,000,000 of Secured Income Debentures, Series A (the "Series A Income Debentures") of Global. A total of $6,000,000 of such debentures were issued during October, 1976, and the existing term loan and a portion of the operating bank loans were repaid in that amount.

The Series A Income Debentures, which qualify as "income debentures" under the Income Tax Act (Canada), bear interest at a rate of 2% plus one-half of the prime rate, but such interest is payable only to the extent that Global has "cumulative net profit", as defined, in periods after September 1, 1976. The debentures may be prepaid in whole or in part without bonus or other penalty, and are repayable in quarterly principal instalments in the following aggregate annual percentages: year ending August 31, 1979—10%; 1980—15%; 1981—20%; 1982—25%; 1983—30% (the percentage for 1983 including a final instalment of 7½% due on September 1, 1983).

The bank loans outstanding from time to time are secured by an assignment of book debts and collaterally by a $15,000,000 demand debenture and by the Series A Income Debentures. These debentures create a first and second fixed and floating charge on substantially all of Global's assets.

The agreements with the bank contain various conditions and restrictive covenants, which conditions and restrictive covenants were met by Global as at August 31, 1976 or have been waived by the bank, including the requirement that Global maintain working capital, as defined, at certain levels, and maintain its broadcasting licence in good standing, and that Global will not, among other things, without the consent of the bank:

(a) create additional charges on any of its assets, incur net lease rental obligations (exclusive of the microwave contract described in note 8(b)) in excess of $600,000 per annum, incur any additional funded debt or increase total liabilities beyond agreed upon amounts; or

(b) pay dividends in respect of its capital stock, or reduce its paid-in capital.

4. Debentures and non-interest bearing subordinated notes

(a) 1974 interest debentures due January 15, 1983

The 1974 interest debentures bear interest at the prime bank rate applicable from time to time plus 1.2% and may be prepaid in whole or in part at any time without premium, subject to prior repayment of bank indebtedness.

The interest debentures are secured by a floating charge on all of Global's assets, subject only to prior claims and security held by Global's bankers and to the claims of ordinary trade creditors (and of certain other creditors designated as such) for liabilities incurred from May 22, 1974 until May 22, 1977, and rank pari passu with $5.80 of each $45.00 (or an aggregate of $1,305,000 at August 31, 1976) of principal amount of the 10% subordinated debentures outstanding from time to time.

(b) 1974 income debentures due January 15, 1998

The 1974 income debentures bear interest payable out of Global's tax-paid earnings at rates reducing by one percentage point per annum from 28% in 1977 to 20% in 1985 and thereafter of the pre-tax earnings of Global for each immediately preceding fiscal year, such interest being subordinate to that under the Series A Income Debentures held by the bank (note 3).

The income debentures are secured by a floating charge on all of Global's assets, subordinate to the 1974 interest debentures.

(c) 10% subordinated debentures due January 15, 1983 and related material subsequent event

The 10% subordinated debentures bear no interest from January 16, 1974 to January 15, 1977, after which time interest at 10% will be payable to maturity.

The 10% debentures carry a floating charge on the assets of Global in Ontario and are subordinate to the interests of the bank and to the 1974 interest and income debentures, except for $5.80 of each $45.00 (or a total of $1,305,000 at August 31, 1976) of principal amount ranking pari passu with the 1974 interest debentures.

Under a Tender Offer dated August 31, 1976, Global invited tenders of Units of one $45.00 par value 10% debenture and one related preferred share (note 6(b)) for purchase by the corporation or one of its subsidiaries at $32.50 per Unit. As a result of this offer, a total of 39,520 Units were acquired subsequent to August 31, 1976 by one of the corporation's subsidiaries with funds (total $1,284,400) advanced by Global through use of its banking facilities. The gain ($495,976) on such repurchase, less related deferred income taxes of $124,000, and less the expenses of the Offer net of related tax recoveries, will be reflected as an extraordinary item in the consolidated statement of operations in the year ending August 31, 1977.

(d) Non-interest bearing subordinated notes

The notes are repayable in five equal annual instalments commencing January 15, 1979 but if any payments are made on the 1974 income debentures, then equal payments are to be made pro rata to the holders of the subordinated notes to be applied against instalments due in reverse order of maturities.

The notes are unsecured and are subordinate to all other obligations and indebtedness of Global. The provisions attaching to the notes prohibit the corporation from paying dividends on its outstanding shares until all such notes have been paid or discharged.

5. Instalments of long-term liabilities due

Excluding the required repayments of bank indebtedness which are described in note 3, subsequent payments required in each of the next five years to repay the following long-term liabilities outstanding at August 31, 1976 are as follows:

	Year ending August 31				
	1977	1978	1979	1980	1981
Instalments payable on film and programming contracts	$6,199,330	$2,048,413	$ 972,906	$107,331	
Non-interest bearing subordinated notes			121,717	121,717	$121,717
	$6,199,330	$2,048,413	$1,094,623	$229,048	$121,717

6. Share capital

(a) Restrictions on share transfers

The Board of Directors may make such rules and regulations from time to time as it shall deem necessary or appropriate to enforce the special statutory provisions applicable to

constrained share corporations as set forth or referred to in Global's charter. Under the Broadcasting Act (Canada), in effect, 80% of the shares of Global and other corporations holding a broadcasting licence must be owned by Canadians.

(b) Voting preferred shares and related subsequent event

The voting preferred shares were issued in units with the 10% subordinated debentures and are to be purchased, at par, for cancellation upon the redemption or discharge of the related debentures by the corporation or on purchase by its subsidiaries.

Subsequent to August 31, 1976 a total of 39,520 voting preferred shares were purchased, at par, for cancellation as a result of the Tender Offer referred to in note 4(c).

(c) Common shares, share options and warrants

During the year thirty common shares were issued, at $7 each, upon the exercise of thirty outstanding share purchase warrants of the corporation.

The corporation has reserved 238,970 authorized but unissued common shares for issuance, as follows:

(i) To the holders of remaining warrants to purchase shares at $7 each, exercisable to January 1, 1983—224,970 shares;

(ii) To the Group on the exercise of options to purchase shares at $7 each at any time to January 15, 1983 (note 2(a))—14,000 shares.

The common shares of the corporation now outstanding and to be issued on exercise of the above options and warrants are subject to deposit under the terms of the Voting Trust and Option Agreement referred to in note 2(a).

7. Income taxes

At August 31, 1976 losses aggregating approximately $20,780,000 were available to carry forward for income tax purposes to be applied against such income as may be earned in future years, as follows:

Amount available	Available to apply against income earned to August 31
$12,490,000	1979
3,190,000	1980
550,000	1981
4,550,000	indefinitely
$20,780,000	

8. Commitments and other matters

(a) Lease obligation

The corporation's head office, network control centre and production facilities in Metropolitan Toronto have been leased on a net basis for a period of twenty-five years expiring December 31, 1998 (with options to renew for two successive five-year periods) at an annual rental of $480,000. The annual rental is to be adjusted by 50% of the cost of living index change in the tenth and the twentieth year of the lease.

(b) Microwave contract

The corporation has also entered into an agreement to purchase microwave service for a period of ten years ending December 31, 1983 at an annual rental of $434,962 per annum.

(c) Other commitments

In addition, the corporation has commitments in the normal course of business in various amounts for periods of up to seven years, under contracts relating to the provision of news services, services of individuals, and other services.

(d) Licence renewal

The corporation carries on its operations under the terms of a broadcast licence. Such licences are issued by the Canadian Radio-television and Telecommunications Commission for periods of up to five years, and are subject to renewal. The corporation's current broadcast licence expires on March 31, 1977 and it has applied for renewal thereof.

9. Statutory information

Information with respect to the number of directors and officers of the corporation, and their remuneration is as follows:

	1976		1975	
	Number	$	Number	$
During the year:				
Directors	11	Nil	11	Nil
Officers	10	$95,260	7	$25,000
As at August 31:				
Directors	10		11	
Officers	9		7	
Number of officers who were also directors during the year	4		4	

The above amount for remuneration does not include amounts paid or payable to corporate entities under management or employment contracts for services of officers and directors, which amounts aggregated $332,311 in 1976 (1975—$273,824).

GLOBAL COMMUNICATIONS LIMITED

Consolidated Statement of Changes in Financial Position

Six months ended February 29, 1976

(with comparative figures for 1975)

(Unaudited)	1976	1975
	(000's)	
Source of Funds:		
Operations –		
Net income for the period	$ 103	
Add depreciation and amortization	478	
	581	
Term bank loan	550	
Issue of – 1974 interest debentures	800	$3,910
– 1974 income debentures		100
Decrease (increase) in non-current portion of film and program rights	605	(1,630)
Promissory notes issued in lieu of current debt		10
	2,536	2,390
Application of Funds:		
Operations –		
Net loss for the period		2,592
Less depreciation and amortization		462
		2,130
Decrease (increase) in long-term programming contract liabilities	666	(1,295)
Purchase of fixed assets	154	251
	820	1,086
Increase in working capital	1,716	1,304
Working capital deficiency, as restated (note 2):		
Beginning of period	(2,369)	(1,938)
End of period	$ (653)	$ (634)
Represented by:		
Current assets	$7,998	$5,571
Less current liabilities	8,651	6,205
	$ (653)	$ (634)

Note 2: As at August 31, 1975, the Corporation adopted the policy of allocating the cost of film and program rights between current and non-current assets, based on the estimated usage in the succeeding fiscal year. Such costs were previously included entirely in current assets. This change has been given retroactive effect in the accompanying consolidated statement of changes in financial position, with the result that film and program rights of $3,569,000 at February 28, 1975 have been reclassified as non-current assets (based on actual usage in the twelve month period ended February 29, 1976), and working capital at that date reduced correspondingly from the amount previously reported.

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GLOBAL COMMUNICATIONS LIMITED

INTERIM REPORT

Six months ended
FEBRUARY 29, 1976

TO THE SHAREHOLDERS:

Your Company earned a profit for the six-month period ended February 29, 1976. This amounted to $103,000, as compared to a loss of $2,592,000 for the same period of the previous year. Total revenues increased to $7,930,000 from $4,380,000, an increase of 81%.

We mentioned in our first-quarter statement that our profit in that three-month period to November 30 of $259,000 did not indicate comparable results for the entire year. Normally, second-quarter revenues are somewhat lower than in the first quarter. We are therefore pleased to announce that we continue to show a year-to-date profit for the six-month period ended February 29, 1976. Although we still anticipate some losses during the remainder of this fiscal year, the financial results of Global Television continue to show substantial improvement compared to both the previous year and our earlier projections.

ALLAN SLAIGHT
President

April 14, 1976

GLOBAL COMMUNICATIONS LIMITED

Consolidated Statement of Operations

Six months ended February 29, 1976

(with comparative figures for 1975)

(Unaudited)		1976	1975
		(000's)	
Revenue		$ 7,930	$ 4,380
Operating expenses:			
Programming, broadcasting and maintenance		4,511	4,296
Administration, marketing and occupancy		2,062	1,619
Depreciation and amortization		478	462
Interest expense – net		776	595
Total expenses		7,827	6,972
Income (loss) before the following		103	(2,592)
Provision for income taxes		51	—
Income (loss) before interest on 1974 income debentures and extraordinary items		52	(2,592)
Provision for interest on 1974 income debentures		30	—
Income (loss) before extraordinary items		22	(2,592)
Extraordinary items:			
Elimination of income taxes provided above as a result of carry forward of a portion of prior years' losses	51		
Elimination of interest on 1974 income debentures as a result of anticipated losses in remainder of fiscal year	30	81	—
Net income (loss) for the period		$ 103	$ (2,592)
Earnings per share:			
Basic –			
Income (loss) before extraordinary items		$ .03	$ (3.90)
Extraordinary items		.12	—
Net income (loss) for the period		$ .15	$ (3.90)
Fully diluted (note 1) –			
Income (loss) before extraordinary items		$ .05	
Extraordinary items		.16	
Net income for the period		$ .21	

Note 1: Fully diluted earnings per share shows the effect on earnings per share which would result if the outstanding warrants to purchase 225,000 common shares at $7.00 each and the outstanding options to purchase 14,000 common shares at $7.00 each were all exercised at the beginning of the period. In the fully diluted earnings per share calculation, the assumption is made that the funds derived from exercising the warrants and options had been invested to produce an annual return of 10%, before applicable income taxes and interest on income debentures.

No fully diluted earnings per share calculation is provided for 1975 as the company incurred a loss for that period and any exercise of warrants or options would be anti-dilutive.